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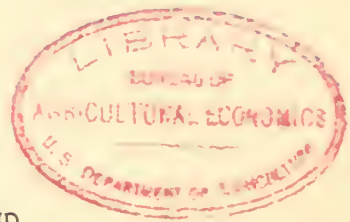
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ISOLATED SETTLEMENT AND TAX DELINQUENT LAND
IN NORTHERN MINNESOTA

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Prepared by

Minnesota Land Use Planning Staff

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ISOLATED SETTLEMENT AND TAX-DELINQUENT LAND
IN NORTHERN MINNESOTA

Summary

- (1) The 6,000,000 acres of land which have reverted or are about to revert to the State of Minnesota because of tax delinquency create new responsibilities for the State and counties if the result is not to be the creation of a fast, scattered and unorganized "delinquency domain", planless both as to administration and conservation and future disposition.
- (2) Unrestricted settlement on poor land in northern Minnesota counties has resulted in many cases in unsatisfactory returns from the land, low standards of living, frequent abandonment after years of unfruitful effort and loss of savings, and the provision of public services at costs far out of line with the existing ability to pay.
- (3) Numerous examples of high costs for providing road and school services for isolated settlers occur throughout the northern counties -- the costs per family being much higher in the sparsely-settled, poor land areas than in areas better suited for agricultural development, and often being 10 to 20 times as great as the tax collections from the families receiving the services.

- (4) A study of the progress and possibilities of agricultural development in two poor land areas of northern Minnesota reveals that settlers have not been able to develop farm units of an economic size, or to obtain incomes sufficient to provide adequate subsistence and to support local government; abandonment has been frequent; and public charges have reached almost unbearable proportions -- indicating the desirability of discouraging future settlement in such poor land areas.
- (5) A comparison of the fiscal problems in a poor land area with the developed agricultural section of the same county indicates the severity of the problems in the poor land area -- increasing chronic tax delinquency, a rapidly shrinking tax base, high and increasing tax rates, and a tremendous public debt obligation -- factors which clearly point to the need for controlling further settlement in such areas.
- (6) A State rural zoning enabling act granting to the counties the power to adopt regulations by districts to promote better use of rural lands is recommended. Such an enabling act would permit those counties which wished to do so to zone. Zoning would not be mandatory.
- (7) The law governing reversion of tax-delinquent land should be amended so as to give the State clear title to reverted lands.

ISOLATED SETTLEMENT AND TAX-DELINQUENT LAND IN NORTHERN MINNESOTA

The Related Problems and Suggestions for Working toward a Solution 1/

Introduction

Over 6,000,000 acres of land in the State of Minnesota have reverted or are subject to reversion to the State because of tax delinquency. These are lands which are tax delinquent for the 1929 or prior levies. In addition, there are thousands of acres delinquent for the 1930 or subsequent levies and which, under present laws, will be subject to reversion five years after the date on which they were sold for taxes.

Nearly all of the land subject to reversion is located in the northern counties. More than 4,000,000 acres of land in 14 northeastern counties, or 22 percent of the total land area of these counties, were on the reversion list. The figure for the 14 counties does not indicate the magnitude of the reversion problem in some areas. The percentage of the total land area of individual counties in the northeastern area which is subject to reversion ranges up to 44 percent in Beltrami County and 58 percent in Lake of the Woods County.

1/ Acknowledgment is due Professor O. F. Jenness, Chief of Division of Agricultural Economics, University of Minnesota, for advice and criticism on this report and on the studies made in Lake of the Woods and Pine Counties.

Between January 1, 1935 and January 1, 1936, the amount of uncollected delinquent property taxes in Minnesota increased from \$82,328,979 to \$92,287,528, an increase of \$8,958,549 or 10.75 percent. This compares with an increase during the year 1934 of \$11,190,812 or 15.5 percent . from \$71,138,167 to \$82,328,979.

Tax delinquency is one of the chief problems in the northern counties of Minnesota. It has already caused the counties much difficulty in balancing their budgets. Some localities have faced real financial embarrassment, which has resulted in a steady increase in the tax burden on the remaining property. Much of the delinquency in the northern counties is of a permanent character, rather than temporary delinquency resulting from an acute economic depression. Taxes were paid as long as valuable timber remained on the land. With the removal of the timber, the owners were unable or unwilling to continue meeting the tax burden since the land was not needed for other uses. The reversion of this land creates new responsibilities for the State and counties. If the result is not to be the creation of a vast, scattered and unorganized "delinquency domain", planless both as to present administration, conservation and future disposition, definite policies must be formulated for the classification and public use or disposal of the lands.

In his message to the legislature, Governor Benson stated: "The stage of academic discussion on matters of conservation is past. Problems affecting the use of tax reverted lands, forest management,

water conservation and recreation are of immediate concern in planning for future long-time needs. Millions of acres of land, unsuited for agriculture, from which the forest growth and other sources of income have been removed, are now reverting to the state.

"In retrospect we see the mistakes of the past, but unless we profit by these mistakes the northern counties will again be at the threshold of another cycle of discouragements and failures due to new owners on the one hand, and renewed efforts by taxing units to keep these lands on the tax rolls on the other."

Excessive tax delinquency is only the most evident indicator or result of serious land-use maladjustments in the northern counties of Minnesota -- maladjustments which involve serious fiscal and social problems, as well as land-use problems. Other indicators or results of these maladjustments are rural poverty, isolated settlement on poor or unfavorably located land, excessive costs for roads, schools, and other public services, and extremely burdensome local indebtedness.

Two extensive reports dealing with problems of land use in northern Minnesota have already been published.^{2/} The object of this

2/ Land Utilization in Minnesota: A State Program for the Cut-over Lands. The University of Minnesota Press. 1934. (The report of a committee of citizens appointed by the governor.)
O. B. Jesness, Reynolds L. Nowell and associates. A Program for Land Use in Northern Minnesota: A Type Study in Land Utilization. The University of Minnesota Press. 1935.

report is to present a brief supplement to the two more extensive reports, giving primary attention to the problems in two areas selected as being representative of a large portion of the northern area, and calling attention to measures which might aid in alleviating some of the problems. The areas selected for detailed study comprise 14 townships in eastern Pine County and 14 townships in southwestern Lake of the Woods County.

Description of the Area Studied

Pine County, located in the east central part of the State, is on what may be termed the borderline of the cut-over region. It has a total land area of 904,330 acres and had a population in 1930 of 20,264. The 1935 United States Census of Agriculture reported 3,814 farms in the county, occupying 45.6 percent of the total land area. Only 16.9 percent of the total land area was devoted to crops. The population of the 14 eastern townships was 2,851; 14.5 percent of the land area was occupied by farms; and only 4 percent of the area was devoted to crops.

The topography of the eastern area varies from flat and gently rolling in some sections to rather abrupt ridges and small stream valleys in other sections. Approximately 10 percent of the area is wet, poorly drained swamp. The soil ranges from very coarse gravel to very heavy clay, large areas being characterized by the extremely gravelly and sandy soils of doubtful agricultural value.

Lake of the Woods County, located in the extreme northern part of the State, has a total land area of 861,440 acres and had a population of 4,194 in 1930. In 1935 the United States Census of Agriculture reported 966 farms in the county, occupying 16.0 percent of the total land area. Four and eight-tenths percent of the area was devoted to crops. The population of the 14 southwestern townships was 602; 6.6 percent of the land area was occupied by farms; and only one percent of the area was crop land.

The topography of the southwestern area is flat. A large percentage of the area is covered by a peat bog. Scattered irregularly throughout the peat are relatively small ridges or islands which emerge a few feet above the surrounding bog. The agricultural productivity of these ridges ranges from very poor to good, but even on these ridges having good soil, their scattered location precludes their use for farming.

Scattered Settlement: Its Relationship
to Land-Use Problems

The timber crop of the State was not harvested with a view to keeping land in timber production permanently. After removal of the original timber, it was generally assumed that the best use which could be made of the cut-over land was its development and use for agricultural purposes. The policy of the State, the Federal Government, lumber companies, railroads, and other corporations and individuals with large land holdings was to open the land for settlement and to get it into the hands of individual owners as rapidly as possible.

In areas of good agricultural land, settlement was fairly rapid and a large percentage of the land was improved for agricultural purposes. The settlers developed substantial homes and businesses and a permanent community and governmental framework was set up and has been maintained. The land was put to a use for which it was well adapted, and the income derived from the land has been sufficient to maintain the schools, roads and other public services which must be provided in an agricultural community in addition to providing the people of the community with the essentials of life.

While the results of this policy of unrestricted settlement and agricultural development were most beneficial in the agricultural areas of southern, central and western Minnesota, the wisdom of continuing such a policy in the cut-over sections of northern and north-

eastern Minnesota may well be questioned. Efforts to promote settlement have not been confined to areas of good agricultural land, but have been extended to all grades of land after the removal of the timber crop. Many settlers have been induced to buy land which, because of poor soil, high cost of clearing or unfavorable location with respect to markets and social facilities, is unsuited for farming.

Among the factors which have induced settlers to buy poor land are: high pressure selling methods, unfamiliarity with the region, lack of knowledge relative to soil types and other factors determining the productivity and value of land and efforts to find cheap land.

Unrestricted settlement on poor land has resulted in many cases in unsatisfactory returns from the land, low standards of living and frequent abandonment after years of unfruitful effort and loss of savings.

Scattered settlement of the land for farm use created a need for schools, roads and other public services. These services were provided with the expectation that the need for such services would increase as farm development, growth in population and growth of the tax base progressed. Public services -- especially schools and roads -- were provided on a scale entirely out of line with the existing ability to pay in the belief that future growth would provide the means to pay. Heavy debts were incurred by the towns and school districts in order to pay for these early developments. When settlement and farm development failed to progress as anticipated, and the tax base not only failed to

grow, but instead decreased, the tax burden became excessive and tax delinquency became a problem.

The figures given in the preceding section relative to the percentage of the total land area in farms and in crop land indicate the limited extent to which agricultural development has progressed in eastern Pine County and in southwestern Lake of the Woods County. The density of the rural population in the 14 eastern townships of Pine County in 1930 was 5.4 persons per square mile as compared with 14.3 persons per square mile in the county as a whole, 6.8 in the 14 northeastern counties, and 21.4 in the remainder of the State. In the 14 southwestern townships of Lake of the Woods County the population density in 1930 was 1.2 persons per square mile as compared with 3.1 persons per square mile in the county as a whole.

Some idea of the extent to which scattered settlement has taken place in the northern counties may be obtained from Table 1, showing the extent of the area in which there are 10 or fewer farms per survey township of 36 square miles. The data in the table show that agriculture is of only minor importance over large areas in the northern counties and indicate the extent to which interspersion of a few scattered farms has been instrumental in keeping hundreds of thousands of acres of land out of uses to which they are better adapted. Table 1 includes only a fraction of the total number of settlers who may be regarded as scattered; it includes only the most extreme cases of isolation. The forest fire hazard and excessive costs of public services which

Table 1. Extent of Farm Development in Areas Having 10 or Fewer Farms per Survey Township,
by Counties 3/

County	Total acres: in county	Areas having 10 or fewer farms per survey township		Percent area: no. of acres in: Per cent of	Total acres	is of county:	farms:	farms:	area in farms:	acres per farm family	
										In farms:	Not in farms
Aitkin	1,164,645	103,820	8.9	35	3,720	3.6	106	2,860			
Becker	839,432	101,283	12.0	37	6,333	6.7	135	2,552			
Beltrami	1,605,671	297,147	18.5	9	1,903	.6	211	32,805			
Cass	1,302,619	309,768	23.7	50	9,409	3.0	188	5,997			
Clearwater	640,630	108,350	17.0	15	2,059	1.9	137	7,126			
Cook	936,159	915,136	97.8	126	13,738	1.5	109	7,154			
Hubbard	536,210	44,126	7.4	14	1,690	3.9	121	3,031			
Itasca	1,729,512	200,611	11.6	18	1,505	.9	106	11,039			
Kittson	700,375	46,320	6.6	20	5,040	10.9	252	2,064			
McChiching	1,998,063	1,053,930	53.2	166	24,709	2.3	149	6,230			
Lake	1,367,859	900,459	65.8	139	10,693	1.2	77	6,401			
Lake of the Ponds	832,882	354,799	42.5	68	8,803	2.5	129	5,089			
Pine	506,369	24,242	2.7	5	375	1.5	75	4,773			
Wagon	1,073,744	99,559	9.3	24	7,276	7.3	303	3,988			
St. Louis	1,002,710	1,285,074	31.8	100	3,305	.8	98	12,753			
Total	19,729,231	5,348,253	29.5	826	108,107	1.9	131	6,960			

3/ Data from 1975 State Farm Census, supplemented by the United States Census, 1930.

accompany scattered settlement definitely retard the development of large areas for forestry and recreational uses, uses to which such areas may be far better adapted than to agriculture.

Effect of Scattered Settlement Upon Costs
of Public Services

The need for public services, especially roads and schools, arises as soon as permanent settlement takes place. In Minnesota the organization of township government has followed settlement rather rapidly, in many cases before township governments could economically be justified. The mere establishment of the public services and local governmental units, gives rise to certain minimum costs regardless of the number of people served. In areas where population is sparse, these costs usually represent a heavy per capita burden. These relationships are shown in Tables 2 and 3.

Table 2. Relationship Between Population and Per Capita Costs of Town Government in Northeastern Minnesota, 1932 ±/

Population of township	:	Per capita cost
49 and under	:	\$8.26
50-99	:	6.42
100-199	:	4.22
200-299	:	3.44
300-399	:	2.77
400 and over	:	3.29

4/ A Program for Land Use in Northeastern Minnesota, p. 276.

Table 3. Relationship Between the Number of Pupils Per School and School Costs Per Pupil in Pine County Rural Schools, 1935-36

Number of pupils per school :	Cost per pupil
5 or fewer :	\$125
6-10 :	64
11-15 :	51
16-20 :	39
21-25 :	36
26-30 :	33
31 and over :	46

In Table 3 it is seen that school costs per pupil decrease with increases in enrollment up to 30 pupils per school. The group "31 and over" includes schools with enrollments up to 100 pupils. The schools with larger enrollments have more teachers, are able to give more attention to the pupils, and provide specialized types of services which the schools in the lower enrollment groups are unable to provide. The data in the table illustrate the point that maximum efficiency in the expenditure of public funds cannot be obtained in areas of sparse settlement.

For the school year 1935-36, average per pupil school costs in the rural school districts of the 14 eastern townships of Pine County were \$52 as compared with \$40 in the remainder of the county. Although the difference between the costs in these rather extensive areas is quite significant (\$12 per pupil), there are, of course, much greater differences between the per pupil costs in individual districts, as

shown in Table 3. For the same school year, State aid contributions represented 69 percent of the receipts of all rural school districts in Pine County as compared with 31 percent raised locally. In view of the large percentage of school support contributed by the State, it is of vital importance to the State that steps be taken to discourage future increased demands for school aid in areas not suited for agricultural development and where settlement should not be permitted.

Typical examples of the excessive governmental costs caused by isolated settlement may be found in eastern Pine County.

- (1) In one school district, the head of an isolated family is paid \$270 annually for transporting his five children five miles to school.
- (2) In another school district, the head of an isolated family is paid \$162 annually for transporting his three children five miles to school.
- (3) In a third school district, the State and the school district pay the board of one child who lives too far from the school to be transported. The annual cost for boarding the child at a home one mile from the school is \$144.

Numerous examples of high costs for providing road and school services for isolated settlers occur throughout the northern counties. Table 4 presents a summary of a number of cases of isolated settlement in a northeastern county which have been provided with road and school services at costs which are many times the taxes paid by these same families.

There appears to be no doubt that in some cases settlers have sought isolated locations in order to obtain a major portion of their income from State and local governments as payments for transporting their own children to school and for maintaining roads that are necessitated only because of their isolated locations.

Table 4. Average Per-Family Cost of School Transportation and Roads and Tax Contribution by Typical Isolated Settlers 5/

Service	Cost per family	Tax levied per family	Tax collected per family
School transportation (23 families)	\$185.61	\$10.06	\$6.22
Roads (13 families)	90.88	19.14	7.03

In Lake of the Woods County, over 72 percent of the cost of all functions of local government for the year 1935 were for roads and schools. Of a total expenditure of \$34,993 for roads and bridges, 75.7 percent was received from the State; and of \$86,878 spent for schools, 62.6 percent came from State aid. Slightly over 56 percent of county expenses was contributed by the State. This does not include a payment of \$105,588 by the State to the ditch fund, the State having assumed practically all the county drainage ditch obligations.

5/ Adopted from A Program for Land Use in Northern Minnesota, pp. 140, 141. Tables 29, 30.

In the 14 southwestern townships of Lake of the Woods County, approximately \$80,000 has been spent on State and county-aid roads from the time the county was organized in 1923 until 1935. Of this amount over \$60,000 was furnished by the State, and \$18,900 was provided by the county. During the same years approximately \$45,000 of State school aid has been received by the area. Thus, it is seen that the following sums have been spent by the State and county for the development and maintenance of an area which is now recognized as being unsuited for settlement and from which already existing settlement is being given an opportunity to settle elsewhere.

For drainage	\$550,000
For roads	80,000
For schools	<u>45,000</u>
Total	\$675,000

It is estimated that the closing of the five schools in the southwestern area, as a result of the land purchase program, ^{6/} will result in a saving of approximately \$3,600 annually. The major part of this saving will accrue to the State, since about 60 percent of the receipts of the school district covering the area have been received from the State. Special State transportation aid for the 93 isolated school children receiving such aid, out of a total school district enrollment of 338, will be materially reduced as a result of the movement of the

6/ The 14 southwestern townships of Lake of the Woods County are included in the Baltrami Island Federal land purchase project which also includes parts of Beltrami and Roseau Counties. In this area the Federal Government, through the Resettlement Administration, is purchasing poor farm land and giving families living on such land an opportunity to settle elsewhere.

settlers from the area and the closing of the five schools.

There were 16.5 miles of State-aid roads and 48 miles of county-aid roads in the 14 southwestern townships. The number of miles of township roads is unknown since many of the roads bearing this designation are merely ditch banks and have never been used for traffic. Since all settlers are being given an opportunity to settle elsewhere it may be possible to eliminate all or a large part of the road costs to the county. All county-aid roads in the area have already been removed from that classification and no longer receive apportionments from the gas tax or county road funds. During the past five years, State and county expenditures for roads in the 14 townships have averaged \$7,300 annually. An amount equal to this sum can be saved in the future as a result of movement of the settlers from the area.

Agricultural Development in the Poorer Land Areas of Northern Minnesota

Data indicating the progress and possibilities of agricultural development in poor land areas are available for farms in the Beltrami Island Federal land purchase area, including parts of Beltrami, Lake of the Woods and Roseau Counties. Although this area has been officially recognized and designated by county officials as being submarginal for agricultural purposes, it is perhaps of no lower agricultural value than many other areas in the northern counties. The data given below are believed to be representative of agricultural conditions in many sec-

tions of the cut-over counties.

A summary of the total cash incomes of 289 settlers located in the Beltrami Island area, as reported for the year 1934, is presented in Table 5. It will be noted that 16 percent of the settlers had total cash incomes of \$100 or less, 45 percent had incomes of \$200 or less, and 59 percent had incomes of \$300 or less.

Table 5. Total Cash Incomes of 289 Settlers in Beltrami Island Area, 1934

Income	:	Number of Settlers	:	Percent of total
	:		:	
	:		:	
\$ 1 - 50	:	23	:	8.0
51 - 100	:	22	:	7.6
101 - 200	:	84	:	29.0
201 - 300	:	42	:	14.5
301 - 400	:	44	:	15.2
401 - 500	:	25	:	8.7
Over \$500	:	49	:	17.0
	:		:	
Total	:	289	:	100.0
	:		:	

The proportion of the total income of this group of settlers,

which was obtained from the different sources, is shown in Table 6.

Table 6. Sources of Cash Income of 280 Settlers in the Boltrand Island Area, 1934

Source of income	Amount	Percent of total
Farms	\$42,441	45.3
Government employment	14,104	15.2
Private employment	11,291	12.2
Emergency relief	10,082	10.8
Miscellaneous	7,640	10.1
Forest employment	5,499	5.9
Total	92,667	100.0
Average income	329.72	

In a study of the incomes of 165 settlers in 13 townships in Lake of the Woods County, W. F. Zauche, formerly chairman of the Lake of the Woods Board of County Commissioners, found that 22 percent of the total income was obtained from farming, and 28 percent from governmental sources, in 1932. In a survey conducted by the State Department of Conservation in 1931-32, covering the families living within the boundaries of proposed State forests in the cut-over counties, it was revealed that only 17 percent of the cash income of the settlers was obtained from farming, and 56 percent was obtained from governmental sources. These studies show that the incomes of a large percentage of the settlers in poor land areas are too low to permit of more than

a subsistence standard of living, and that it is necessary to supplement farm income with funds from other sources in order to live at all. Government employment -- Federal, State and local -- and relief constitute the chief supplementary sources of income, being a larger item in many cases than income from the farm.

Cash income received from farms in the Beltrami Island area is summarized in Table 7. As an indication of the value of this area for agricultural purposes, it is significant that 93 settlers, or 32 percent of the number included in this study, reported no cash income from their farms in 1934, while 57 percent reported cash incomes of \$100 or less.

Table 7. Cash Income Received from Farms by 289 Settlers in Beltrami Island Area, 1934

Income from farm	No. of settlers	Percent of total
None	93	32.0
\$ 1- 50	32	11.0
51-100	40	14.0
101-200	43	15.0
201-300	26	9.0
Over \$300	55	19.0
Total	289	100.0

Table 8, showing the number of cultivated acres per farm, has been computed to indicate the extent of agricultural development in the area. The data reveal that 26 percent of the settlers have 5 acres or less of cultivated land, 56 percent have 20 acres or less, and 80 percent have less than 40 acres of cultivated land.

Table 8. Number of Cultivated Acres Per Farm on 283 Farms in Beltrami Island Area, 1934

Number of cultivated acres per farm	:	Number of farms	:	Percent of total
5 or less	:	74	:	26.1
6-10	:	37	:	13.1
11-20	:	48	:	17.0
21-40	:	66	:	23.3
Over 40	:	58	:	20.5
Total	:	283	:	100.0

To determine the rate at which settlers have brought land under cultivation, a study was made covering 157 settlers who have staked their land. The results are summarized in Table 9.

These data show that:

Table 9. Relationship Between Length of Time Settler Has Lived on Farm and Acres Under Cultivation
(Based on records of 157 Homesteaders in Beltrami Island Area)

Years on farm	Number of farms by acres cultivated					
	5 or less	6-10	11-20	21-40	Over 40	Total
Less than 5	13	2	1			16
5-9	7	2		3	1	13
10-14	3	3	3	5	7	21
15-19	8	6	14	10	16	54
20-24	8	5	7	13	8	41
Over 25		1	2	3	6	12
Total	39	19	27	34	38	157

13 out of 16 settlers who had lived on their land less than 5 years had 5 acres or less under cultivation; 9 out of 13 settlers who had been on their farms from 5 to 9 years had 10 acres or less under cultivation; 37 out of 75 living on their farms between 10 and 19 years had 20 acres or less under cultivation; and 23 out of 53 settlers living on their farms over 20 years had 20 acres or less under cultivation. These data indicate that most of the settlers have not been able to clear an average of more than about one acre per year. It is evident that farms cannot be developed rapidly and that the average settler going into similar areas must have outside income to maintain himself and his family for many years after settlement

is made.

To show the tax burden on the settlers within this area, a study of the relationship between income and real estate taxes was made, covering 110 farm owners of the 289 settlers included in the Beltrami Island study in 1934. The following is a summary of this study:

Number of settlers	110
Total cash farm income	\$17,525
Average cash farm income	159
Total cash income	37,300
Average total cash income	339
1934 tax levy	3,991
Percentage tax levy is of cash farm income	23
Percentage tax levy is of total cash income	11

The tax on the land is 23 percent of the cash farm income, and 11 percent of the total cash income. In view of the small incomes, it is not surprising that settlers have not been able to find the money necessary to pay relatively high taxes, after family living and other urgent expenses have been met. The reason for high tax delinquency is evident.

The data in the preceding tables indicate that settlers within the area have not developed substantial farms, nor obtained adequate farm incomes and that any assistance which may be given them in aiding them to relocate in more suitable areas is a distinct benefit to them. Also, it seems evident that it would be a valuable service to future settlers, who might be tempted to locate in the area, to use every effort to aid them in avoiding the mistakes of those settlers who are now being aided to move out.

The population movement into and out of the 14 southwestern

townships of Lake of the Woods County has been significant. In 1910 the population of the area was 63. By 1920 it had increased to 853, an increase of 1,254 percent. Between 1920 and 1930 the population of the area decreased 251 or 29.4 percent.

In eastern Pine County farm development is very limited as compared with development in the western part of the county. This may be shown by comparing 12 eastern towns with 12 western towns on the basis of data obtained from the 1935 State farm census. The census data reveal that 12.7 percent of the land area of the eastern towns is occupied by farms and only three percent of the area is devoted to crops. In the 12 western towns, 64.3 percent of the land area is occupied by farms and 21 percent of the area is devoted to crops.

It is evident that a large number of the settlers in the eastern area now realize the area has limited agricultural possibilities. Clearing operations have practically ceased. From 1910 to 1920 the population of the 14 eastern townships increased 114 percent, but between 1920 and 1930 the population decreased 6.5 percent. The origin of the present major difficulties in the eastern part of Pine County can be traced back to the period of over-settlement between 1910 and 1920, especially during the period of the World War when farm prices were high and the urge to bring more land into use was great.

77 The State Farm Census is taken yearly by the local assessors at the time the assessment is made.

In view of the limited farm development which has taken place in eastern Pine County over a considerable period of years, the farm abandonment which has occurred since 1920 and the excessive public debt and accompanying tax burden which must be borne by the lands remaining on the tax rolls, the area does not appear to be one in which successful farms might be developed. However, many prospective settlers do not have a thorough knowledge of all the factors involved in determining the success of a new farming enterprise. Past experience has shown this to be true. One way in which public officials can prevent much unwise settlement is by directing prospective settlers to those areas best suited for agricultural development and closing to settlement areas unsuited for such development.

Problems of Tax Delinquency and Local Indebtedness
in a Poor Land Area of Northern Minnesota

The tax burden or taxes levied against land in some areas of northern Minnesota is so high as to cast much doubt on the advisability and possibility of longer continuing present land use practices. High taxes may help to force land into undesirable uses, lead to the exploitation of natural resources and bring about destructive land use practices. It is equally true that an excessive tax burden may mean that land is being used for purposes where the demand for public services is so great that it places an unbearable burden upon the income from the land.

In Table 10, the 1935 tax levies, percentage of 1934 tax levy delinquent on January 1, 1936, percentage of the total acreage for which 1934 taxes were delinquent January 1, 1936 and the percentage of total acreage reverted to the State in 1936 were compared for twelve towns in the eastern part of Pine County and the same number of towns in the western part of the county. As previously stated, the eastern part of Pine County is composed largely of cut-over land, sparsely settled and considered unsuitable for agriculture. Much of the land in the western part of the county is improved agricultural land. The marked contrast between the characteristics of these two groups of towns affords a good opportunity to compare tax burdens, to show the extent to which tax delinquency is an acute problem, and to draw certain conclusions in regard to a need for control of land use in northern Minnesota.

TABLE 10. Comparative Tax Data for Twelve Towns in the Eastern and Twelve Towns in the Western Parts of Pine County

Town	1935 tax rate (mills)	Percent of 1934 tax levy delinquent, Jan. 1, 1936	Percent of town acreage on which 1934 taxes were delinquent, Jan. 1, 1936	Percent of town acreage subject to reversion to the state or Federal land, Dec. 31, 1935
Eastern Towns				
Arna	283.7	89.1	45.0	73.5
Belden	858.5	99.2	99.3	30.2
Erano	129.3	68.2	73.6	40.4
Clover	102.2	67.6	71.3	29.0
Danforth	97.3	72.7	72.9	35.3
Dosey	273.0	34.5	31.3	66.7
Fleming	122.5	89.7	92.0	41.4
Keene	185.8	87.8	91.6	43.0
Nickerson	120.2	88.5	83.3	50.1
Ogema	151.8	71.9	76.2	30.6
Park	116.4	70.0	86.6	20.5
Wilma	160.7	86.0	89.7	45.7
Average	194.2	85.7	87.5	44.4
Western towns				
Birch Creek	80.6	30.8	43.8	4.7
Bremen	90.2	43.8	56.1	19.0
Brook Park	94.3	55.1	65.6	30.2
Chengwatana	70.5	23.5	44.2	22.0
Dell Grove	75.2	34.0	58.9	3.6
Hinckley	77.4	28.4	41.1	3.3
Mission Creek	86.9	11.3	22.9	2.2
Pine City	74.3	11.3	17.0	1.0
Pine Lake	84.4	40.9	45.0	12.9
Pokegama	91.4	26.0	32.0	1.3
Rock Creek	70.4	13.3	21.3	1.5
Royalton	84.0	8.7	14.5	.4
Average	82.3	25.2	40.0	9.7

2/ This is land tax delinquent for 1929 or prior years. Data as of November 1, 1936.

The average tax rates for the 1935 tax levy in the eastern towns was 184.2 mills as compared with 82.3 mills in the western towns. Between 1926 and 1935 the average tax rates in the twelve eastern towns increased 129 percent, while the increase for the twelve western towns was 32 percent. Tax rates do not necessarily measure the tax burden or show the extent to which taxes are higher in one area than in another; but it is a well-known fact that the poorer lands are generally over-assessed in relation to better lands. On an average, the tax burden is at least twice as great in the twelve eastern towns as in the twelve western towns.

The town of Belden furnishes a good example of the effects of attempting to develop land unsuitable for agriculture. It is a case of a wrong appraisal of land-use capabilities. In 1934 the town of Belden levied a tax of \$19,844 on property assessed at \$25,192. For only one 40-acre tract were the taxes paid before the date of delinquency. On 56.4 percent of the acreage, taxes were paid after the date of delinquency, and payments made were all at "bargain" settlements. In 1935 the assessed valuation of the town of Belden was only 1/4 that of 1928, but during the intervening period tax rates increased nearly eight-fold. The present confiscatory tax rate of 858.5 mills prohibits current payment of taxes. A similar situation exists in the other eastern towns.

The per capita tax levies in 1935 were on an average about four times as high in the twelve eastern towns as in the western,

ranging from \$26.85 to \$299.44 in the former, and \$13.06 to \$24.79 in the latter. Of course, the tax levies per capita are not an accurate measure of relative tax burdens between the two groups of towns because of the difference in the nature of land holders and population density, but nevertheless, they are indicative of excessive tax obligations for governmental services. High per capita costs, inadequate service, and inefficient administration are common characteristics of local governments embracing sparsely-settled, poor land areas. In such areas, especially where the government is rapidly securing a new public domain through tax-reverting lands, the development of appropriate use of the land will pave the way for a reorganization of public services and local government which will reduce costs.

Table 10 also shows tax delinquency and land abandonment to be several times as large in the eastern part of the county as in the western part. Nearly 45 percent of the total land area of the twelve eastern towns is subject to reversion to the State; and, for over 87 percent, 1934 taxes were delinquent on January 1, 1936. There is no incentive to pay taxes on land which does not yield an income. "The natural tendency of property owners is to abandon unprofitable holdings. This particularly affects tax delinquency in Minnesota, not only in times of depression but in times of prosperity, because of the fact that there are millions of acres of land in northern Minnesota which are unsuitable for agriculture or any other productive purposes except forestation. The inclusion of much of

this land in the tax base leads to fictitious valuation and only
9/
makes delinquency worse."

Accompanying the attempt to carve farms out of the cut-over lands of eastern Pine County was a demand for school, road and other public facilities to meet the needs of existing settlers and the expected growth of population. Speculative land values followed, and against them was floated a debt load far beyond the capacity of the land to bear, and especially so since the hope that most of the cut-over land would soon be taken up as farms did not materialize. In the twelve eastern towns, the average indebtedness for town and school purposes is \$434 per \$1,000 of assessed valuation, and in a number of the towns it is practically equal to or more than the assessed valuation of the land. This is especially significant in view of the fact that over 50 percent of the present tax base, on the average, is in reality a "dead tax base."

The towns of Arna and Dosey are conspicuous examples of areas in which excessive debts for public services have been incurred. In 1928 the assessed valuation of the town of Arna was \$165,330; by 1936 the assessed valuation had decreased to \$45,644. Similar assessed valuations for the town of Dosey were \$165,941 and \$45,828. Based upon these earlier valuations, heavy indebtedness was incurred. At the present time this indebtedness exceeds even the nominal tax

9/ Report of the Legislative Tax Commission of Investigation and Inquiry. January 4, 1937, p. 59.

base and far exceeds the actual tax-paying base. The extent to which the indebtedness exceeds the valuation of the tax base is indicated in Table 11.

The total indebtedness of the towns of Arna and Dosey, expressed in dollars per acre is shown in Table 12.

The average indebtedness per acre for the land remaining on the tax rolls after deduction of lands reverting to the State was \$9.62 in Arna and \$12.22 in Dosey. Similar figures for the land which actually paid the 1934 taxes were \$21.03 in Arna and \$21.28 in Dosey.

Since this indebtedness is a charge against the land and since taxes are a first lien on the land, it does not seem reasonable to hope for or to permit further farm development to take place in these areas. In most cases the public debt chargeable to the land is more than its agricultural value.

In the twelve eastern towns, the per capita debt ranges from \$14.71 to \$236.53, while in the western towns the range is from \$0.32 to \$39.68 per capita. Seven of the eastern towns have a per capita debt of \$100 or more, while only one of the western group has a per capita debt of more than \$16.00. The per capita debt is a measure of the cost of bringing land into use, and the very high per capita debt in the twelve eastern towns indicates a need for public control in the interest of a sound land utilization policy.

Table 11. Relationship Between Assessed Valuation^{10/} and Town and School District Indebtedness
In Towns of Arua and Desoy, 1936

Town	Debt	:Assessed :	Debt	:Assessed :	Debt	:Assessed :	Debt
:	:	:valuation:	per dollar	:valuation:	per dollar	:valuation:	per dollar
Arma	\$61,735	\$45,644	\$1.35	\$14,332	\$4.31	\$7,120	\$8.67
Doscy	98,748	45,323	2.24	15,390	6.42	9,088	10.87

Table 12. Amount of Town and School Debt per Acre in Town of Anna and Dosey, 1936

Town	Debt	No. of acres	Debt per acre	1929 or prior loviies	No. of acres	Debt per acre	Parcels not delinquent	Parcels on which 1934 taxes were paid by Jan. 1, 1936
Arna	\$61,735	23,754	\$2.59	6,415	2,809	\$21.98		
Dosey	98,748	23,901	4.13	8,083	4,641	21.28		

19/ Under the present law lands classified as homesteads are assessed at 20 percent of full and true value up to a value of \$4,000. Homestead valuation in excess of \$4,000 and other rural lands are assessed at 53 1/3 percent of true value.

Chronic tax delinquency, a rapidly shrinking tax base, high and increasing tax rates and a tremendous public debt obligation in the eastern part of Pine County clearly point to the need of controlling further settlement in the area.

Suggestions for Working Toward a Solution
of Some of the Land Problems in Northern Minnesota

Past experience has demonstrated that uncontrolled private initiative in the use of land may lead to improper or untimely use of land and consequent economic and social evils. Some of the problems arising as a result of uncontrolled use of land have been described above. A study of the problems and mistakes of the past should be of considerable assistance to those whose task it is to develop plans of action which will enable us to cope effectively with problems now facing us. In his message to the legislature, Governor Benson stated: "Intelligent state planning can be delayed no longer. We cannot afford to stumble along blindly, not knowing where we are going nor how we are going to get there.

"Our lack of a land use policy in Minnesota cost us dearly not only in treasure but in wreckage of human lives. I need not tell you of the disastrous results of efforts to develop agricultural settlement on drained peat and other land in northern Minnesota, land never intended by nature for farming. We do not want to repeat these experiments."

In order to prevent repetition of mistakes in the settlement and use of land, measures of a preventive nature are needed. Positive and corrective measures are needed to facilitate adjustments and to encourage the future development and use of land in a manner which is in the best interests of the public. One of the steps in the

development of plans for future land use involves the classification of land according to its best use, on the basis of considerable areas rather than on the basis of specific parcels of land. "Broad land use districts, each representing the best use that could be made of the major portion of the land within it, should be established. To pick out small pieces, say forty or eighty acres each, within an agricultural zone, and to classify them as non-agricultural would be a useless refinement of the plan. Administration of such small pieces as conservation areas would be most difficult. It would be equally unwise to classify as agricultural small 'islands' of good land located in the midst of a forest removed from other settlement, roads, and schools. The cost of providing services to such 'islands' would be far out of proportion to the advantages^{11/} gained from their use for agriculture."

Legislation now on the statute books recognizes land classification as an essential step in the formulation of a land use policy. In 1933 the legislature authorized the county boards to classify^{12/} land of the county into agricultural zones and conservation zones. The act states: "Conservation zones shall be areas which are to be devoted primarily to timber growing and other conservation purposes. Agricultural zones shall be areas devoted primarily to agricultural purposes." Little has been accomplished under the act because

^{11/} J. B. Jeness and H. I. Nowell. Op. Cit. p. 143.
^{12/} Session Laws, 1933, Ch. 418.

provision was included to give legal force and sanction to the established classification. The mere classification of land according to its best use, without regulation for directing the different classes of land into those uses, cannot be most effective. Legal provisions for directing the different classes of land into their best use can be obtained through the enactment of rural zoning ordinances. To quote again from Governor Benson's message to the legislature: "The zoning of reverted land for agricultural and non-agricultural uses by counties should be required by statute. When such zoning affects state forests, state trust fund lands, and conservation areas, zoning plans, before being adopted by county boards, should receive approval by the department of conservation. Unless some system of zoning is put into effect a long-time program of forest development cannot be realized."

As suggested previously, classification and zoning could apply not only to land reverting through tax delinquency, but to all land in public or private ownership based on the suitability of the land for given uses.

Zoning has been defined by a well known legal authority as "the creation by law of districts in which regulations differing in different districts prohibit injurious or unsuitable structures and uses of structures and land." Under zoning, districts are created by law. There is a definite legal procedure for creating such districts;

^{13/}
13. Bassett, Edward M. Zoning. National Municipal League. 1902. p. 20.

the regulations governing the use of land differ in the several districts. Zoning is a device that gives legal effect to land-use plans. It is a form of social control over the use of property, public and private, in the interests of the general welfare.

Zoning has its legal basis in the "police power". By the police power as used here is meant the general power of the State to adopt reasonable regulations for the general welfare. The police power resides in the State. The counties of Wisconsin may be given permission by the State Legislature through a State enabling act, the power to regulate and to restrict the use, condition of use or occupancy of land for residence, recreation, agriculture, forestry, or other purposes in the interest of the general welfare. Under such an enabling act zoning would not be mandatory. Zoning enabling legislation should clearly set forth the procedure necessary to enact local zoning ordinances.

The legality of rural zoning has not yet been tested in the courts. However, there are ample precedents in city zoning cases and in other cases involving police power regulations to indicate that rural zoning ordinances will be held valid if they are reasonably adapted to the preservation of the health, safety, morals and general welfare of the community. Zoning regulations, however, should be comprehensive and "reasonable", and the benefits to the general welfare should be sufficient to outweigh any curtailment of individual rights. In reply to a question raised by the Wisconsin Interim Committee on

Forest and Delinquent Taxes, the Attorney General's department gave the following opinion: "The county zoning ordinance is undoubtedly in the public welfare. The cut-over areas of northern Wisconsin speak as eloquently against haphazard development as any city condition. The spotting of these lands with remote or abandoned farms, resulting in sparsely-settled districts, with insufficient population or value to support roads and schools, or to afford the comforts of living that this day should give to all; the misdirected efforts to farm lands not well suited to agriculture, with resulting personal grief and social loss; the far-reaching economic ill-effects of stripping the state of timber; the fire hazard of cut-over lands and the fire hazard of human habitation in their midst, all cry out for planning for social direction of individual efforts . . . I believe the judicial tendency is going to be to recognize more and more the great social evil of uncorrelated and unrestrained individual and selfish enterprise, and hence to broaden its views of the power of government to plan the social and economic conditions of the present and the future."

14/
Wisconsin is the only State in which counties have enacted strictly rural zoning ordinances. Several other States, however, are considering rural zoning. The Michigan legislature in 1935 enacted a rural zoning enabling act. Already two counties are far

14/ F. M. Wylie in Wisconsin Attorney-General's Opinions, 20: 751.

advanced in the preparation of rural zoning plans and ordinances under this act and a third county has started similar preparations. Zoning ordinances covering counties and subdivisions of counties which contain rural territory, but in which regulations affecting the use of land for agriculture or other rural uses are largely incidental, have been enacted in some counties in California, Georgia, Illinois, Maryland, Virginia, and Wisconsin.

The rural zoning ordinances in twenty-three out-of-counties of northern Wisconsin have classified the land into two or three classes of use districts; forestry districts and non-restricted districts, with recreational districts as the third class in some counties. An official zoning map showing district boundaries is an integral part of the ordinance. In the forestry and recreational districts only those new uses of land which are specified in the ordinance are permitted, and all unspecified uses, one of which is farming, are prohibited. Family dwellings for year-round residence are specifically prohibited in the forestry district. In the non-restricted districts any land may be used for any purpose whatsoever, not in conflict with law.

A non-conforming clause in the ordinance permits the continued use of any building, land or premises existing at the time of passage of the ordinance, even though the use may be contrary to the specifications of the ordinance. Thus, farmers who happen to be living in restricted districts are not compelled to give up their

homes or to discontinue the use of their land for farm purposes. When a non-conforming use is discontinued, however, any future use of the property must be in conformity with the provisions of the ordinance.

The objective of zoning is so to control land utilization that in each district the appropriate uses will be encouraged and the abuses of unregulated exploitation prevented. Zoning provides a means to prevent further increases in already excessive costs of providing governmental services to isolated settlers -- to prevent isolated settlement which results from uncontrolled development; to avoid the undesirable economic and social conditions usually found associated with isolated settlement; to prevent rural poverty due to bringing unsuitable land into agricultural use; to protect and preserve the recreational resources of the area; and to encourage the development of forestry, recreation and wildlife on lands best suited for these purposes.

It would be a serious mistake to consider zoning as the whole of a rural land program or as the cure-all for the problem of rural land use. Zoning may be used to prevent a recurrence of past mistakes and to direct future development and use of land in accordance with plans designed to give first consideration to the promotion of the general welfare. By giving legal sanction to land-use plans, zoning increases the effectiveness of and insures greater returns from other phases of a land program.

Since a zoning program alone will not immediately correct

past mistakes in land utilization, real progress may be effected for promoting sound land use in northern Minnesota, if zoning is accompanied by the gradual discontinuance of isolated non-conforming uses. Significant savings in the cost of government can be effected through relocation of isolated settlers thereby reducing or eliminating the necessity for public services. It has been estimated that a half a million dollars could be saved annually through the relocation of the settlers in the isolated areas of the 14 northeastern counties of Minnesota.^{15/} In addition to the savings in the cost of government, relocation would permit the continuous blocking of forest land free from squatters and settlers who are a constant fire hazard, and who are tempted by their isolation to violate the game laws.

If public policies which affect the use of land are to be administered in such a way that the designated uses are encouraged and the restricted uses discouraged, some adjustments in the tax system will be needed to encourage the desirable uses of land in the various districts. If land in a district is restricted to forestry, the tax upon that land should be such that it is feasible to carry on forestry on all land deemed suitable for private forestry. Adjustments in the framework of local governmental units might also be desirable.

The State program with respect to chronically tax-delinquent land can be effectively supported by zoning, and can be made

^{15/} A Program for Land Use in Northern Minnesota. U. S. G. O. 1936.

an effective instrument to support zoning. However, there is urgent need for clarifying the legal status of delinquent land and for strengthening tax deeds. Provision for strengthening tax deeds is a prerequisite to effective handling of reverted lands. The State cannot proceed satisfactorily with a program for rehabilitating reverted land and for dedicating it to desirable use as long as title to such land is uncertain.

With respect to the present law governing reversion of tax-delinquent land, Governor Benson, in his message to the legislature stated: "Under the present law, lands reverting to the state are to be held in trust for the taxing units. No one has been able to determine just what the legislature had in mind when it placed this cloud upon the title of reverted lands. The law should be amended so as to make the lands revert to the state in fee simple and not be subject to the trust limitation."

One possibility for the State to free itself from the many existing difficulties with tax titles is through the application of a statute of limitations to the period during which the state's title may be contested. Such statutes have been applied in Michigan and New York. In Michigan a statute of limitations provides that after six months from the time the deed is recorded the State's title in the land becomes absolute, and no suit may be instituted to set aside the findings of the auditor general who inspects the land of the upon the expiration/period of redemption with respect to the legal bases for the State's title. In New York, after two years from the

date of the record of conveyance of tax deed lands, the presumption becomes conclusive that the sale and proceedings thereto, from and including the assessment of the lands sold, and that all notices required by law for the redemption thereof, were regular and in accordance with all provisions of law relating thereto.

Legislative and non-legislative action to ease the burden of delinquent taxpayers -- including the abrogation of penalties on delinquent taxes, the postponement of tax sales, the extension of the period of redemption following tax sale, provision for installment payment of delinquent taxes, and settlements for fractional parts of the delinquent taxes due -- has probably led to further default. The assumption appears to have been that it was better to obtain some revenue than none at all. There is a temptation to postpone payment of taxes if there is a possibility that penalties for so doing might later be forgiven and that possibly a reduction might be made in the amount of the original tax itself by the acceptance of "bargain" sales. Fiscal expediency has frequently appeared to suggest the return of such lands to the tax books as quickly as possible, with the faint hope that some future revenue might be obtained from it. The prompt taxpayer finds himself actually discriminated against and may seek to cure such discrimination by also postponing tax payment.

There is considerable justification for action which would to aid the property owner who is in severe distress as a result of

depression conditions. However, the same action which has served to aid such property owners has served to perpetuate in a highly indefinite status land which in good times as well as bad has been unattractive to private ownership. At the expiration of the period of emergency action, many lands will be delinquent in their old status again.

Exchange of lands between the State and individuals might be used to encourage settlers in non-agricultural areas to exchange their holdings for tax-delinquent land in agricultural areas. Existing statutes permit these exchanges, but because of the questionable titles of reverted lands, few settlers are anxious to trade for such lands. Exchanges of land between the State and agencies of the Federal Government would assist both in blocking up their holdings to obtain more continuous units and more effective administration.

Delay in the solution of the problems arising out of scattered settlement and tax-delinquent land will only add to the difficulties. A sound solution will require the closest cooperation of State and local authorities with the local residents. The suggestions made herein call for just this cooperative effort to promote the welfare of the people of the areas affected and of the State as a whole.